

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
(317) 232-9855

**FISCAL IMPACT STATEMENT**

**LS 7135**

**BILL NUMBER:** HB 1594

**DATE PREPARED:** Feb 2, 2001

**BILL AMENDED:**

**SUBJECT:** Tax Credit for Stay at Home Parents.

**FISCAL ANALYST:** Brian Tabor

**PHONE NUMBER:** 233-9456

**FUNDS AFFECTED:** X

**GENERAL  
DEDICATED  
FEDERAL**

**IMPACT:** State

**Summary of Legislation:** This bill provides a \$500 Adjusted Gross Income (AGI) Tax credit for a stay-at-home parent.

**Effective Date:** July 1, 2001.

**Explanation of State Expenditures:** The Department of State Revenue (DOR) will incur some administrative expenses related to the revision of tax forms, instructions, and computer programs to incorporate this credit. These expenses could be absorbed given the DOR's existing budget and resources.

**Explanation of State Revenues:** *The projected fiscal impact associated with this credit is an \$81.2 M reduction in state revenue in FY 2002. The revenue loss in FY 2003 is estimated to be \$82.9 M.*

This bill provides a \$500 credit against a taxpayer's liability under the Individual Adjusted Gross Income (AGI) Tax. To claim the credit, an individual must be a stay-at-home parent with at least one child of twelve years old or younger and no earned income in the tax year. The individual may be the biological parent, adoptive parent, or stepparent of the child, and also may be a single filer or part of a married couple filing a joint return.

*Data and Estimation:* According to 1998 DOR individual income tax data, about 547,500 joint filers and 247,400 single filers claimed at least one exemption for a dependent child (the additional child exemption which is currently equal to \$1,500 per child). Based on these figures, labor force participation rates from the Bureau of Labor Statistics were employed to estimate that there were slightly more than 237,000 total households (joint and single filers) where at least one parent was not employed and may have qualified as a stay-at-home parent.

A U.S. Census Bureau breakdown of Indiana's population by age group was then used to determine the number of the 237,000 households where at least one child would be under thirteen. The estimate was that

as many as 153,100 households may have been eligible for this credit based on 1998 data. Growth was projected using the increase in the number of state tax returns over the past several years. Since the credit is refundable, state revenue will be reduced by \$500 for each taxpayer who claims it, regardless of the taxpayer's liability. The loss is projected to be \$81.2 M in FY 2002 and \$82.9 M in FY 2003. Individual income tax revenue is deposited in the General Fund.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Department of State Revenue.

**Local Agencies Affected:**

**Information Sources:** U.S. Census Bureau, Bureau of Labor Statistics, DOR's 1998 individual income tax data.